

August 5, 2019

To whom it may concern

Funai Electric Co., Ltd.

Representative Director, Hideaki Funakoshi

President and CEO

(Code No. 6839 First Section of TSE)

Notice of Change in Consolidated Financial Forecast

Considering the recent trends of its business performance, Funai Electric Co., Ltd. (the “Company”) hereby announces that the Company has revised its consolidated financial forecast for the second quarter and full-year of the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020), released on May 13, 2019, as follow.

Details

1. Revision in consolidated financial forecast

(1) The second quarter (April 1, 2019 to September 30, 2019)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss) attributable to owners of parent	Net income (loss) per share
Forecast released on May 13, 2019 (A)	¥million 52,000	¥million (1,200)	¥million (1,200)	¥million (1,200)	¥ (35.17)
Revised forecast (B)	40,000	(1,900)	(1,900)	(1,900)	(55.69)
Change (B - A)	(12,000)	(700)	(700)	(700)	
Percentage change (%)	(23.1)	—	—	—	
(Reference) Previous year results (Second quarter of the fiscal year ended March 31, 2019)	46,731	(1,645)	(181)	650	19.07

(2) Full-year (April 1, 2019 to March 31, 2020)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss) attributable to owners of parent	Net income (loss) per share
Forecast released on May 13, 2019 (A)	¥million 108,000	¥million 400	¥million 200	¥million 100	¥ 2.93
Revised forecast (B)	85,000	(3,000)	(3,100)	(3,200)	(93.79)
Change (B - A)	(23,000)	(3,400)	(3,300)	(3,300)	
Percentage change (%)	(21.3)	—	—	—	
(Reference) Previous year results (Full-year of the fiscal year ended March 31, 2019)	105,549	682	1,392	2,613	76.59

2. Reasons of the revision

(1) Second quarter

As “Made-in China” LCD TVs became a subject to a tariff increase by the Trump administration (4th round), Chinese manufacturers rushed to frontload shipments to the U.S. Furthermore, demand for LCD TVs slowed down in the Chinese market. Consequently, exports of LCD TVs from China to the U.S. increased greatly, flooding the U.S. market in the short term. Therefore, the Company expects sales of its LCD TVs to decrease. Meanwhile, prices of LCD TVs are expected to continue declining since LCD panel prices decreased due to intensifying competition in the LCD panel market caused by the oversupply of LCD panels (exceeding demand for LCD TVs) by Chinese manufacturers.

Considering the above situation, the Company has revised its net sales forecast to ¥40,000 million for the second quarter of the consolidated fiscal year ending March 31, 2019. Accordingly, operating loss, ordinary loss, and net loss attributable to owners of parent are forecast to be ¥1,900 million, respectively, since the fall in net sales and sales prices squeezed profitability and sales promotion expenses were incurred to deal with excessive store and warehouse inventories in the U.S.

(2) Full-year

The Company expects net sales to decrease in the full-year of the consolidated fiscal year ending March 31, 2020, since intensifying sales competition for LCD TVs, etc., falling sales prices, and a further decline in sales volume are likely to continue in the U.S., the Company’s main market, and the market of BD related products is forecast to become smaller due to the spread video streaming services and a rise in demand for smart TVs.

Meanwhile, in Japan, net sales are expected to be almost in line with its initial plan, since the Company plans to totally revamp “FUNAI brand” product lineup, including 4K organic electroluminescent display (OELD) TVs, to expand sales of nail art printers under OEM brand name and its own brand name, and to launch products using its printer head technology. However, these cannot make up for a decline in net sales in the North American market. As a result, the Company forecasts to post net sales of ¥85,000 million, operating loss of ¥3,000 million, ordinary loss of ¥3,100 million, and net loss attributable to owners of parent ¥3,200 million for the full-year of the consolidated fiscal year ending March 31, 2020.

Note: The above financial forecasts are based on currently available information as of today. The actual financial performance, etc. may be different from forecasts due to various factors.